

# The Department’s Proposed Changes to the Multifamily Rental Financing Program Guide As of January 21, 2019

## Threshold

Existing Section	Existing Language in 1 <sup>st</sup> Draft (November 30, 2018)	Proposed Language in Final Draft (January 21, 2019)	Action	Rationale
3.2.2 Definition of Elderly Housing	DHCD defines Elderly Housing as any project that proposes to restrict occupancy to one or more of the units in the project based on age. DHCD defines an Elderly Household as one in which at least one household member is age sixty-two (62) or over. These definitions apply to all projects applying for LIHTC, RHFP, RHW, or MBP financing as Elderly Housing.	Modify the language as follows (see underlined text): “DHCD defines Elderly Housing as any project that proposes to restrict occupancy to one or more of the units in the project based on age. DHCD defines an Elderly Household as one in which at least one household member is age sixty-two (62) or over. <u>This definition would generally permit the restriction of occupancy to households in which all members are age sixty-two (62) or older.</u> These definitions apply to all projects applying for LIHTC, RHFP, RHW, or MBP financing as Elderly Housing.	Language added.	Language was added to clarify definition.
	<b>FHA Insurance Threshold Requirement</b> For projects financed under FHA Insurance programs including FHA Risk Sharing, DHCD will follow the requirements of Chapter 3-2H of Handbook 4590.1 – Elderly Projects which defines Elderly Housing as: “ <i>An elderly family means any household where the <u>head or spouse is 62 years of age or older, and also any single person who is 62 years of age or older.</u></i> ”	<b>FHA Insurance Threshold Requirement</b> For projects financed under FHA Insurance programs including FHA Risk Sharing, DHCD will follow the requirements of <u>24 CFR 266.200(g) – Under this definition, projects making use of FHA Risk Sharing must allow household members under the age of sixty-two (62).</u>	Language corrected.	Language updated to reflect current guidelines.
3.4 Tenant Services	“Alternatively, an applicant will meet this threshold requirement by agreeing to provide tenant services throughout the compliance period or loan term, as applicable, through a sponsor organization or contract service provider that has achieved designation as a Certified Organization for Resident Engagement and Services (“CORES”) or a comparable DHCD-approved certification. Information regarding CORES can be	Modify the language as follows (see underlined text): “Alternatively, an applicant will meet this threshold requirement by <u>executing a certification at the time of application that requires the provision of tenant services</u> throughout the compliance period or loan term, as applicable, through a sponsor organization or contract service provider that has achieved designation as a Certified Organization for Resident Engagement and	Language added.	Language added in response to requests to clarify when the CORES designation would be required. DHCD will require an applicant certification at the time of application indicating

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	accessed at <a href="https://coresonline.org/">https://coresonline.org/</a> ."	Services (CORES) or a comparable DHCD-approved certification. Information regarding CORES can be accessed at <a href="https://coresonline.org/">https://coresonline.org/</a> ."		a commitment to secure CORES designation by the time the property is occupied and tenant services commence.
3.5.2 Family Housing Developments – Units for Persons with Disabilities	"In addition, all family projects, regardless of the source of funds, must agree to accept, if offered by DHCD, any capital or rental subsidy funds for their non-elderly PWD units and to comply with program requirements."	Modify the language as follows (see underlined text): "In addition, all family projects, regardless of the source of funds, must agree to accept, if offered by DHCD, any capital or rental subsidy funds for their <u>PWD units</u> and to comply with program requirements."	Language clarified.	Language was clarified for consistency.
3.13.2 Base Level Green Standards for All Projects	<p>"...Air Quality – The project shall make primary use of all of the following Interior Air Quality criteria: low volatile organic compound (VOC) paint, primer, sealers, and adhesives....</p> <p>Carpets – Any carpet products must meet the Carpet and Rug Institute's Green Label or Green Label Plus Certification for carpet, pad, and carpet adhesives...</p> <p>Moisture and Mildew – Correct all observed areas of mold, mildew, and moisture infiltration within the building. On existing structures, the Building Evaluation Report or environmental report must identify these areas. Plans or specifications must identify remedies and accepted practices for treatment...</p> <p>Smoking Areas – Designate permitted smoking areas. Locate outside smoking areas at least twenty-five (25) ft. away from entry air intakes and residents' windows. Project has a non-smoking policy applicable to all interior space, including units and common areas..."</p>	<p>Modify the language as follows (see underlined text): "...Air Quality – The project shall make primary use of all of the following Interior Air Quality criteria: <u>low toxic</u>, low volatile organic compound (VOC) paint, primer, sealers, and adhesives....</p> <p>Carpets – Any carpet products must meet the Carpet and Rug Institute's Green Label or Green Label Plus Certification for carpet, pad, and carpet adhesives. <u>Waivers of this requirement may be requested for existing projects with recently installed carpet products.</u></p> <p><u>Mold</u>, Moisture, and Mildew – Correct all observed areas of mold, mildew, and moisture infiltration within the building. On existing structures, the Building Evaluation Report or environmental report must identify these areas. Plans or specifications must <u>anticipate and identify remedies and accepted practices for treatment. Detailed plans must be included in the Development Quality Threshold Narrative portion of the application.</u></p> <p>Smoking Areas –Project has a non-smoking policy</p>	<p>Language added.</p> <p>Language added.</p> <p>Language added.</p> <p>Language clarified.</p>	<p>Language was added back in after being accidentally deleted.</p> <p>Language added to clarify.</p> <p>Language added to clarify enhanced requirements with regards to mold.</p>

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		applicable to all interior space, including units and common areas. <u>Designated smoking areas must be at least twenty-five (25) ft. away from entry air intakes and windows.</u>		Language reordered for clarity.
3.13.3 Additional Criteria Applicable Only to New Construction and Gut Rehabilitation	<p>"The project must meet visitability standards for at least 25% of its units and incorporate universal design features in its units and common areas.</p> <p>An energy star qualified dehumidifier must be installed in each tenant unit. The dehumidification unit must be a stand-alone unit, supplemental to the unit's heating and cooling system"</p>	<p>Modify the language as follows (see underlined text): "<u>Except for gut rehabilitation projects, the project must meet visitability standards for at least 25% of its units and incorporate universal design features in its units and common areas.</u>"</p> <p><del>An energy star qualified dehumidifier must be installed in each tenant unit. The dehumidification unit must be a stand-alone unit, supplemental to the unit's heating and cooling system"</del></p>	<p>Language added.</p> <p>Dehumidifier language removed.</p>	<p>Language modified to exempt gut rehabilitation projects.</p> <p>In response to several comments, the dehumidifier language was removed and additional language was added to Section 3.13.2: Mold, Moisture and Mildew.</p>

**Rating and Ranking**

Existing Section	Existing Language in 1 <sup>st</sup> Draft (November 30, 2018)	Proposed Language in Final Draft (January 21, 2019)	Action	Rationale
4.4.1 Income Targeting	"For projects that involve "twinning" of 9% LIHTC and MBP/4% LIHTC, the Income Targeting score for the 9% LIHTC project will be calculated taking into account only the income targeting for the units associated with the 9% LIHTC project..."	Modify the language as follows (see underlined text): "For projects that involve "twinning" of 9% LIHTC and MBP/4% LIHTC, <u>which refers to multiple projects which, pursuant to a common plan of development, are part of a larger development located on the same or contiguous sites and are financed in part by tax-exempt bonds,</u> the Income Targeting score for the 9% LIHTC project will be calculated taking into account only the income targeting for the units associated with the 9% LIHTC project..."	Language added.	Language added to clarify definition of "twinning" projects.

4.4.2 Targeted Populations	<p>“To receive points in this category, targeted populations in elderly projects must meet DHCD’s age restrictions. The units from the 5% threshold requirement in <a href="#">Section 3.5.2</a> may be counted toward the total percentage for scoring in this section, if the threshold units are income and rent-restricted at or below 30% AMI (the threshold, at a minimum, only requires targeted at or below 60% AMI.</p> <p>DHCD will award up to 10 points in this category based on the percentage of set-aside units out of the 20% set-aside maximum. The points will be calculated based on the following formula:</p> <div><div># of set-aside units</div><div>20% of the affordable units</div></div> <div>x</div> <div>10 points</div> <div>=</div> <div>Points Awarded</div> <p>Final score must be rounded to the nearest one-hundredth (1/100) of a point.”</p> <p>*Projects with more than 25% of the units for a targeted population will receive zero points in this category except that projects targeting persons experiencing homelessness through permanent supportive housing and projects targeting at-risk veterans and their families under the Department of Veterans Affairs Enhanced Use Lease (EUL) Program may exceed the 25% target population limit and still qualify for 6 points.</p> <p>Applicants seeking points under this section for PWD must agree to provide notice of unit availability to and accept tenant referrals from MDH and MDOD. Applicants</p>	<p>Modify the language as follows (see underlined text):</p> <p>“To receive points in this category, targeted populations in elderly projects must meet DHCD’s age restrictions. The <u>UFAS</u> units from the threshold requirement in <a href="#">Section 3.5.2</a> may be counted toward the total percentage for scoring in this section, if the threshold units are income and rent-restricted at or below 30% AMI.</p> <p>DHCD will award up to 10 points in this category based on the percentage of set-aside units out of the 20% set-aside maximum. The points will be calculated based on the following formula:</p> <div><div># of set-aside units</div><div>20% of the affordable units</div></div> <div>x</div> <div>10 points</div> <div>=</div> <div>Points Awarded</div> <p><u>The final score will</u> be rounded to the nearest one-hundredth (1/100) of a point.</p> <p>*Projects with more than 25% of the units for a targeted population will receive zero points in this category except that projects targeting persons experiencing homelessness through permanent supportive housing and projects targeting at-risk veterans and their families under the Department of Veterans Affairs Enhanced Use Lease (EUL) Program may exceed the 25% target population limit and still qualify for <u>10</u> points.</p> <p>Applicants seeking points under this section for PWD must agree to provide notice of unit availability to and accept tenant referrals from MDH and MDOD.</p>	Language clarified.	Language clarified to reflect UFAS unit requirement, allow for other agencies to provide referrals, and to correct typographical errors.
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	seeking points under this section for persons experiencing homelessness or survivors of crimes, including domestic and/or intimate abuse, sexual assault, and sex trafficking must agree to provide notice of unit availability to and accept tenant referrals from the State CoCs, as evidenced by a memorandum of understanding or other formal written agreement.”	Applicants seeking points under this section for persons experiencing homelessness or survivors of crimes, including domestic and/or intimate abuse, sexual assault, and sex trafficking must agree to provide notice of unit availability to and accept tenant referrals from the State CoCs <u>or applicable agencies</u> , as evidenced by a memorandum of understanding or other formal written agreement.”		
4.4.4 Tenant Services	“Alternatively, an applicant will receive eight (8) points in this category by agreeing to provide tenant services throughout the compliance period or loan term, as applicable, through a sponsor organization or contract service provider that has achieved designation as a Certified Organization for Resident Engagement and Services (“CORES”) or a comparable DHCD-approved third-party certification. Information regarding CORES can be accessed at <a href="http://coresonline.org/">http://coresonline.org/</a> . Failure to provide the tenant services as described in the certification will result in negative points on future applications as described in <a href="#">Section 4.1.2</a> .”	Modify the language as follows (see underlined text): “Alternatively, an applicant will receive eight (8) points in this category by <u>executing a certification at the time of application that requires the provision of</u> tenant services throughout the compliance period or loan term, as applicable, through a sponsor organization or contract service provider that has achieved designation as a Certified Organization for Resident Engagement and Services (CORES) or a comparable DHCD-approved third-party certification. Information regarding CORES can be accessed at <a href="http://coresonline.org/">http://coresonline.org/</a> .”	Language added.	In response to comments, language was added to clarify when the CORES certification is required.
4.4.6 Policy Incentives	“Three (3) points will be awarded to projects that involve “twinning” of 9% LIHTC and MBP/4% LIHTC. “Twinning” refers to multiple projects which, pursuant to a common plan of development, are part of a larger development located on the same or contiguous sites and is financed in part by tax-exempt bonds. These points will be available for no more than the three (3) highest scoring projects in the Round.”	Modify the language as follows (see underlined text): “Three (3) points will be awarded to projects that involve “twinning” of 9% LIHTC and MBP/4% LIHTC. These points will <u>awarded as follows</u> : <ul style="list-style-type: none"> <li>• <u>Points will only be awarded to the three (3) highest scoring “twinning” projects (prior to points eligible under this section) in the funding round;</u></li> <li>• <u>Points will only be awarded to “twinning” projects which include an overall total of at least 150 units; and</u></li> <li>• <u>Points will only be awarded to “twinning” projects which demonstrate a need for at least</u></li> </ul>	Language added.	In response to several comments, language was added to clarify how “twinning” incentive points will be awarded.

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		<u>\$5 million of MBP financing.”</u>		
4.5.1 Direct Leveraging	Capital from a qualified Opportunity Zone fund was added to list of leveraged funds.	“...Projected capital from a qualified Opportunity Zone fund must result in an equity contribution to the project that is in <u>excess</u> of DHCD’s assumptions of LIHTC equity pricing as announced prior to a funding round. The equity must be documented as a qualified Opportunity Zone investment in accordance with Section 3.6...”	Language added.	Language added to clarify how capital from a qualified Opportunity Zone will be treated as leveraged funds.  The updated language clarifies that only the excess OZ equity above normally expected LIHTC equity will be considered leveraged funds.
4.5.3 Construction or Rehabilitation Cost Incentives	“Unless a waiver has been requested and granted in accordance with <a href="#">Chapter 5</a> of this Guide, up to eight (8) points will be deducted from any large project, and up to six (6) points deducted from small projects (up to forty (40) units), with construction costs per square foot in excess of the established limits.”	Modify the language as follows (see underlined text): “Unless a waiver has been requested and granted in accordance with <a href="#">Chapter 5</a> of this Guide, up to eight (8) points will be deducted from any large project, and up to six (6) points deducted from small projects (up to forty (40) units), with construction costs per square foot in excess of the established limits. <u>More information on the construction cost limits is posted on the DHCD website at:</u> <a href="https://dhcd.maryland.gov/HousingDevelopment/Pages/ConstructionCostLimit.aspx">https://dhcd.maryland.gov/HousingDevelopment/Pages/ConstructionCostLimit.aspx</a> ”	Language added.	Language added to include the website for the construction cost limits.  Going forward, DHCD will update construction costs on the noted website and not in the Guide.
4.6.3 Project Durability and Enhancements	“DHCD will award points for features that add to the long-term durability and enhancement of the project for both its residents and the surrounding community. One (1) point will be awarded, up to a maximum of thirteen (13) points, for each of the following:”	Modify the language as follows (see underlined text): “DHCD will award points for features that add to the long-term durability and enhancement of the project for both its residents and the surrounding community. One (1) point <u>(except as noted for building exteriors)</u> will be awarded, up to a maximum of thirteen (13) points, for each of the following:”	Language added.	Language added to reflect the change in points for building exteriors.